

**REMARKS**

Claims 1-20 are pending in this application. By this amendment, claims 1-10 are amended. The claims have not been amended for reasons related to patentability, but are amended to expedite the allowance of this case. Claims 1-10 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Claims 1-20 are also rejected under 35 U.S.C. § 103(a). Applicant addresses each rejection below. Applicant respectfully requests reconsideration of the present claims in view of the foregoing amendments and the following remarks.

**Claim Rejections Under 35 U.S.C. §101**

Claims 1-10 were rejected under 35 U.S.C. §101 as being directed to non-statutory subject matter. The Office Action states that claims 1-10 are drawn to a method of producing a disembodied data structure and also fail to fall with the technological arts. Claims 1-10 have been amended to recite computer implemented methods of reconciling a current inventory record having counts, pricing and vintaging for a plurality of product types. Independent claim 1, as amended, recites a computer implemented method of reconciling a current inventory record having counts, pricing and vintaging for a plurality of product types, comprising: removing from an existing inventory record having counts, pricing, and vintaging for the plurality of product types each instance of each count where price or vintage is an outlier value; statistically determining a representative price and vintage for each of the plurality of product types from the existing inventory record after the instances of each count with outlier values have been removed; obtaining the current inventory record; recounting an inventory to produce an updated count for each product type; comparing each count of the current inventory record to each updated count to obtain a difference in count for each product type; when the difference for a particular product type indicates an excess in the count of the current inventory record, reducing the count of the current inventory record for the particular product type by the difference; and when the difference for the particular product type indicates a shortage in the count of the current inventory record, adding the difference to the count of the current inventory record for the particular product type and assigning the previously determined representative price and vintage for each instance added to the count of the current inventory record.

Applicant respectfully submits that amended claims 1-10 are directed to a technological art. Furthermore, the elements of independent claim 1 relate functionally to provide a useful, tangible result as required by 35 U.S.C. § 101. Thus, claims 1-10 are directed to patentable subject matter, and Applicant respectfully requests that the rejection under 35 U.S.C. § 101 be withdrawn.

Claim Rejections Under 35 U.S.C. §103(a)

The Office Action rejected claims 1-20 under 35 U.S.C. §103(a) as being unpatentable over the admitted prior art which is alleged to be described in the background section of the specification on pages 1 and 2. As discussed below, Applicant submits that the Examiner has not satisfied the burden of establishing a prima facie case of obviousness as required by statute and Federal Circuit precedent.

The Office Action asserts that:

“The admitted prior art includes all of the elements of claim 1 except for the steps of removing outlier values from the data; averaging the remaining data values; and, using the calculated average as the adjustment amount when the current inventory data needs to be updated/adjusted/corrected due to a discrepancy in the count of items, as determined by an updated inventory assessment, rather than simply using the oldest/earliest value and using that value without regard as to whether or not the value was obviously erroneous.

However, FIFO, LIFO, average, and weighted average are four well known, hence obvious, techniques to use in the valuation of inventory. Furthermore, excluding obviously erroneous, mis-keyed data to improve the accuracy of results when averaging data is also a well known, hence obvious, technique to use when calculating a statistical average.”

The Examiner appears to be impermissibly adding limitations to claim 1.

As amended herein, independent claim 1 requires a computer implemented method of reconciling a current inventory record having counts, pricing and vintaging for a plurality of product types, comprising:

removing from an existing inventory record having counts, pricing, and vintaging for the plurality of product types each instance of each count where price or vintage is an outlier value;

statistically determining a representative price and vintage for each of the plurality of product types from the existing inventory record after the instances of each count with outlier values have been removed;

obtaining the current inventory record; recounting an inventory to produce an updated count for each product type; comparing each count of the current inventory record to each updated count to obtain a difference in count for each product type;

when the difference for a particular product type indicates an excess in the count of the current inventory record, reducing the count of the current inventory record for the particular product type by the difference; and

when the difference for the particular product type indicates a shortage in the count of the current inventory record, adding the difference to the count of the current inventory record for the particular product type and assigning the previously determined representative price and vintage for each instance added to the count of the current inventory record.

The Office Action fails to address the specific limitations claimed in amended independent claim 1.

Additionally, at pages 3-4, paragraph 4, the Office Action summarily concludes:

“Therefore, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to have modified the method described in the admitted prior art, so as to periodically perform necessary corrections/adjustments/updates to inventory based on inventory valuation calculated on an average basis, rather than a FIFO basis, as is well known to do, and to exclude clearly erroneous, mis-keyed data when calculating the average, as is also well-known to do, in order to produce an accounting of inventory that would be as accurate as possible, and since so-doing could be performed readily and easily by any person of ordinary skill in the art, with neither undue experimentation, nor risk of unexpected results.”

These conclusory statements are not only insufficient under Federal Circuit precedent (See In re Lee, 277 F.3d 1338, 1344-45, 61 USPQ2d 1430, 1434-35 (Fed. Cir. 2002)), but also fail to address the specific limitations required by claim 1.

MPEP 2144.03 states:

“Official notice unsupported by documentary evidence should only be taken by the examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known. As noted by the

court in *In re Ahlert*, 424 F.2d 1088, 1091, 165 USPQ 418, 420 (CCPA 1970), the notice of facts beyond the record which may be taken by the examiner must be "capable of such instant and unquestionable demonstration as to defy dispute" (citing *In re Knapp Monarch Co.*, 296 F.2d 230, 132 USPQ 6 (CCPA 1961))."

Importantly, MPEP 2144.03 adds:

***"It is never appropriate to rely solely on 'common knowledge' in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based. Zurko, 258 F.3d at 1385, 59 USPQ2d at 1697 ('[T]he Board cannot simply reach conclusions based on its own understanding or experience-or on its assessment of what would be basic knowledge or common sense. Rather, the Board must point to some concrete evidence in the record in support of these findings.')... See also In re Lee, 277 F.3d 1338, 1344-45, 61 USPQ2d 1430, 1434-35 (Fed. Cir. 2002) (In reversing the Board's decision, the court stated 'common knowledge and common sense' on which the Board relied in rejecting Lee's application are not the specialized knowledge and expertise contemplated by the Administrative Procedure Act. Conclusory statements such as those here provided do not fulfill the agency's obligation. The board cannot rely on conclusory statements when dealing with particular combinations of prior art and specific claims, but must set forth the rationale on which it relies.')."***

Clearly, the Examiner is impermissibly using hindsight reconstruction, and in conclusory fashion, suggesting that it would be obvious to one skilled in the art to reach Applicant's invention by relying solely on Applicant's background and the Examiner's knowledge and generalized statements of advantages without regard to what is actually claimed in the present application. This is impermissible. The Federal Circuit requires "rigorous application of the requirement for a showing of the teaching or motivation to combine prior art references," (See In re Dembiczak, 175 F.3d 994, 999 (Fed. Cir. 1999), given the ease of fabricating a hindsight-based obviousness analysis. The record needs to include an evidentiary basis for factual findings to allow for judicial review under the substantial evidence standard that is both deferential and meaningful. See In re Lee, 277 F.3d 1338, 1344 (Fed. Cir. 2002).

Applicant further submits that the Examiner has not satisfied MPEP §702.02(j). MPEP §702.02(j) requires that the prior art references teach or suggest all the claim limitations. The teaching or suggestion to make the claim combination and reasonable expectations of success

must be found in the prior art *and not based on Applicant's disclosure*. See In re Vaeck, 947 F.2d 488 (Fed. Cir. 1991).

While the foregoing refers to independent claim 1, similar conclusory statements are used in rejecting the remaining claims. For example, the Office Action at page 5, last paragraph, admits:

“Regarding claims 11-20, drawn to apparatus for performing, in an automated fashion, the methods/functions of claims 1-10, the admitted prior art does not include that any known apparatus is capable of performing, in an automated fashion, the methods described by the admitted prior art. However, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to have provided apparatus such as recited by claims 11-20, since the underlying method steps/functions being performed by the apparatus are themselves considered obvious, as set forth in the rejection of claims 1-10 hereinabove, and because it has been held that broadly providing a mechanical or automatic means to replace manual activity which would accomplish the same result involves only routine skill in the art.”

Again, the Examiner provides no evidentiary support to substantiate the conclusory remarks. For the foregoing reasons, Applicant submits that the Office Action does not establish a prima facie case of obviousness as to claims 1-20, and also does not satisfy evidentiary standards as required by the Administrative Procedure Act and established Federal Circuit precedent.

Additionally, 37 CFR 1.104(d)(2) requires that when a rejection is based on facts within the personal knowledge of the examiner, the data should be stated as specifically as possible, and the facts must be supported, when called for by the applicant, by an affidavit from the examiner. If Applicant's foregoing arguments do not persuade the Examiner to withdraw the obviousness rejections to claims 1-20, Applicant requests such an affidavit from the Examiner.

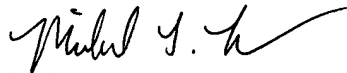
### CONCLUSION

For at least these reasons, Applicant asserts that the pending claims 1-20 are in condition for allowance. Applicant further asserts that this response addresses each and every point of the Office Action, and respectfully requests that the Examiner pass this application with claims 1-20

to allowance. Should the Examiner feel that a telephone interview with Applicant's attorney would further advance the case, please contact the undersigned at 404.954.5040.

Respectfully submitted,  
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